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The World Mix-Up and the Way Out

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I HAVE just returned to the United States after an absence of four months during which I studied at first hand social, economic, political and financial conditions in Europe. My conclusions are based on what I personally saw and learned and on a careful consideration of the opinions of prominent business men, party leaders, and government ministers.

In talking to you as frankly as I shall I am betraying no confidence but I am, I believe, presenting in a new light the developments of the post-armistice period and the prospects for the future. It is with the future, of course, that we business men are most concerned, for unless Europe can regain her feet and resume production on a normal basis her entire economic structure is threatened; unless national jealousies are controlled the nations of Europe will rearm and the heavy burden of taxation for military purposes will be more than the people can bear and revolt against their governments may ensue.

An unstable Europe cannot absorb American exports and unless we help prevent such conditions the results will be promptly felt in the United States in unemployment, social unrest and "hard times" generally.

ITALY

The government of Italy rests in the hands of the King, his Cabinet, and Parliament. In fact, however, the country has passed through a social revolution, fortunately almost blood-

less, which has placed the destinies of the state in the hands of organized radicals. There has been a succession of strikes in industries and transportation.

When I was in Italy in July many of the street railways were tied up by a general strike, concerning which the government, to use its own words, declared itself "neutral," making no attempt to help the owners resume service. After I left, the workers in most of the large factories seized control of the plants. Six hundred factories and half a million workers became involved. This movement spread rapidly, and the government again declared itself "neutral."

About three weeks ago, however, the Prime Minister called a conference of masters and men in the steel industry and presented a formula for reconciling their differences. The masters said they could not voluntarily accept this formula but would submit thereto under protest. The Prime Minister then assumed full responsibility and forthwith issued a decree providing for the appointment of a committee to prepare a bill, from which I quote, "to reorganize industries on the basis of labor participation in the technical, financial and administrative control of industry."

The army is so sympathetic with the workers that no reliance can be placed upon it for the prevention of disorders arising from labor disturbances. The present situation is therefore dominated by the organized workers and the government if it wishes to survive can do

¹An Address before Boston Chamber of Commerce, October 7, 1920.

little more than follow where the radicals are leading. The danger of this situation is apparent. Other nations cannot take the risk of extending credit to the industries of a country whose economic conditions are unstable, and yet without such outside assistance there must be a growing stagnation of industry.

Conditions can improve only if there is work for the people. In order to provide work, Italy's greatest present need is coal. The price of coal at Genoa, when I was there, ranged from 900 to 1,000 lire a ton (about \$40 at current rates of exchange) and only limited quantities were available even at that prohibitive figure. The fuel shortage is so acute that we got no hot water in the hotels for bathing and in some cities water-works are closed down the greater part of the day to save fuel in the pumping stations. In Trieste, for example, city water was available only from 1 to 3 a.m. and a family's entire daily supply must be secured during those two hours.

Italy has always had to import her coal and such conditions as this naturally cause Italians to speak bitterly of what they call the desertion of Italy by her former allies. Coal is not coming from England at the price or in the quantities expected, nor is Italy receiving adequate allocation of continental coal. She feels that the demands of France are being given preference and she suspects imperialistic tendencies in France.

The greater Italy's sufferings the more intensified will this suspicion and distrust become and the stronger the temptation to embrace radical and dangerous doctrines in the hope that they will cure her social ills. A serious crisis in both external and internal affairs can, in my judgment, be avoided only by international coöperation.

Without such coöperation, in which

the United States must join, she cannot, in the present world shortage of coal, get fuel enough to care for her most pressing wants—she cannot work. And if the masses have no food nor work, the government must be helpless. The world owes it to Italy and to itself to render this assistance.

AUSTRIA

From Italy I went to Austria, a country apparently doomed to die. The split-up of the old dual monarchy of Austria-Hungary has left modern Austria nothing but the city of Vienna and a small surrounding territory, without natural resources and incapable of supporting itself. The government of the Austrian republic is in the hands of the Socialists. According to Dr. Bauer, former Foreign Minister and now Socialist leader, there is a strong antagonism between the city dwellers and the land-holding peasants who are relatively conservative and who are thoroughly opposed to governmental fixing of prices for their products. Vienna, the seat of the government, is, of course, the seat of the Socialist Party. It depends for its support on the rest of the country, the agricultural production of which, however, is inadequate. The peasants supply their own wants first, resist successfully government attempts to take their surplus at fixed prices, hiding it and selling only at exorbitant prices through underground channels. The rural population cares little for the suffering of the city population.

As I have said, Austria is not self-supporting. She has lost the natural resources she used to enjoy and the new nations created by the Peace Treaty out of the old Hapsburg monarchy are not generously disposed towards her. She is ringed about by the small treaty-made republics who are trying to establish themselves, who are suffering

from an excess of national feeling, and who are over-emphasizing their own ambitions. Austria can, therefore, hope for little help unless concerted international action compels the recognition of her just requirements.

APPARENT IN VIENNA

The result of this condition is clearly apparent in Vienna. The food, fuel and raw material needed to keep the city alive and producing are wanting. Coal, that master of economic destiny, is almost wholly lacking. The present daily ration for each family is only two and a fifth pounds. This is inadequate even for cooking and is, of course, totally useless for heating. As a result, during cold weather, families are compelled to live in only one room.

They keep warm mostly by the heat of one another's bodies. Windows are closed tight to save heat and you can imagine the condition of the air in a room occupied by five to twelve people and used for cooking, sleeping, living, yes, and even dying. I remember that, in looking in one of the homes during an inspection of the poorer quarters of the city which I made in company with the Mayor of Vienna, I said to one woman: "Things are pretty bad, aren't they?"

She replied: "Yes, pretty bad. But they are a little better now; two of the children have died." The death-rate in Vienna has increased enormously from diseases due to bad air and malnutrition. The work of the Hoover organization, splendid as it is, cannot begin to cover all needy and deserving cases. Serious as are conditions, now, they will be infinitely worse during the cold months. It seems almost inevitable that a crisis will then come resulting in Bolshevism and the complete breakdown of Austria.

The industrial situation is equally depressing. Factories are already be-

ing put on part time for lack of coal and raw materials and I was told that practically all factories will close within the next few months, unless international coöperation makes possible the importation of coal and food.

You will be interested in the following figures as to the prevailing rates of monthly wages in Vienna: (A crown is worth less than half a cent)

	Crowns
Average for women	2,000
Average for men	4,000
Average for lower government officials . .	2,500
Average for higher government officials . .	5,000
Average for bank servants	3,000
Average for typesetters	3,600
Average for hack drivers	1,200

According to an estimate given me by Dr. Widiski, the average family requirements for ordinary decency call for 40,000 crowns a year.

There are charwomen at the medical clinics who earn more than the assistant doctors and sewer cleaners are getting more than the masters of secondary schools, this disproportion being due to the fact that charwomen and sewer cleaners belong to powerful unions. When I advertised for a secretary, asking for one who knew English, I had over 100 replies from countesses, wives of former generals, and other women of the highest social position. The high official who passed on a check I wanted to cash at a Viennese bank said of the servant whom he sent for the money, "That man is getting 20 per cent more salary than I do and I have been here 25 years." The salary of Dr. Renner, the Foreign Minister and really the Prime Minister, who came to see me and with whom I had a long and interesting talk, is 120,000 crowns a year, or about \$600 at current exchange rates.

Prices are terribly high so that food and clothing are almost wholly beyond the reach of the middle classes who are suffering most. A pound of coal costs

more today than a pound of sugar, chocolate, meat, butter or cheese used to cost before the war. Second-rate shoes cost a thousand crowns and second-rate clothing 10,000 crowns. A suit costing 160 crowns before the war now costs 16,000 crowns.

The current budget deficiency is about 15 billion crowns, much of which is due to the necessity for paying and increasing the salaries of the approximately 250,000 government employes. This great army of government-paid persons includes many thousands formerly attached to the old monarchy and who are kept on the payroll, although not needed, for fear that they would furnish leadership to the radicals if discharged. Last year the government printed billions in notes to meet salary increases granted because of high prices. This paper money has nothing in back of it and this inflation of the currency made prices rise higher.

To add to Vienna's misery, if anything could, the International Trade Unions decreed from their Amsterdam headquarters an international boycott against Hungary on account of the cruelties to which labor was said to have been subjected there. The Austrian government adopted, to quote its own words, a "neutral attitude" and the workmen put the boycott into effect. As a result the shipments of foodstuffs from Hungary ceased as did the delivery of brown coal from a mine on the border. The International Trade Unions proved themselves stronger than the government.

Austria must have coal, food and raw materials. All these must come from outside countries, no one of which alone under present conditions is willing to take the risks involved. Unless there can be some concerted international coöperation, it is the opinion of leading men of all nations with whom I talked that Austria will collapse.

She cannot survive surrounded by unsympathetic and even hostile states. Vienna is already like a doomed city; a million of its people must, I was told, emigrate or die.

CZECHO-SLOVAKIA

From Vienna I went to Prague, the capital of the Czecho-Slovak republic. This new nation has nearly all that the present Austria has not. It has coal and iron mines, a good sugar-beet industry, fine factories, mills and industrial plants, and farms, which, according to the Minister of Commerce, with whom I had a long interview, are second only to Belgium's in productivity. These farms, however, according to Dr. Hottowac, do not raise sufficient grains, so that Czecho-Slovakia must still import large quantities of wheat.

I learned that Czecho-Slovakia has about 85 per cent of Austria's entire prewar industrial and manufacturing resources. Because the Czechs have so much and the Austrians have so little it was provided by the Treaty that they should furnish Austria with large quantities of coal. Herr Stampf, the coal expert of the Ministry of Public Works, told me that they were trying to send the amount allotted, but that labor troubles had limited their output and that their own sugar refineries were getting preferential treatment.

According to Dr. Klumpar, Secretary of the Textile Association, the textile mills are running only 25 per cent of capacity. The overhead charges have remained about the same so that the small product has to carry a heavy overhead and command a high price. This practically prohibits exportation and tends to delay a bettering of exchange. The Minister of Commerce told me of an ingenious scheme of his to get around the exchange situation. He formed an international trading company for exchanging goods with

other countries at arbitrary rates. With Italy, for example, the rate was $2\frac{1}{2}$ crowns for the lira. Profits from such transactions were divided equally between the Italian and Czech interests. He emphasized that a great need of his country was for credit so that the raw materials needed by the factories could be purchased and manufactures stimulated so as to increase exports.

The President of the Czecho-Slovak republic, Herr Masaryk, spoke most hopefully to me of the future of his country. He said he did not fear Bolshevism in Europe if the people could be sure of food and work, but he added that in many places no such assurance could be given unless there were an international agreement for coöperation. He hopes to see a United States of Europe.

Others with whom I talked were not so hopeful. German business men complained bitterly of discrimination and intimated that they saw no chance for a stable government until the Czech treated all citizens alike and ceased persecuting the German-speaking element. The use of the German language has been forbidden by the government and all laws and notices are issued in Czech, which few Germans understand.

My attention was called to the large army that the government is still maintaining at great cost and that it would continue to maintain unless assured of fair treatment through some form of international coöperation to guarantee the safety of law-abiding nations. The soldiers are radical and the government has only limited authority over them. It has attempted to secure their loyalty by grants of money and land. In my judgment Czecho-Slovakia can avoid serious internal and external dangers only if assisted by a policy of international coöperation. With such coöperation she could ulti-

mately establish herself firmly among the nations of the world.

GERMANY

I next went to Berlin, the capital of the old German Empire and of the new German Republic. In my conferences there I found that discussions began and ended with the indemnity question. There was general agreement that until the indemnity was fixed no real progress towards German industrial reconstruction could be made and until Germany had an industrial program no permanent solution of the capital-labor controversy could be reached.

An important official, connected with the German Foreign Office, told me that although on a strict book accounting it would appear that Germany could pay no indemnity at present because she was importing far more than she was exporting, and because her current liabilities exceed her liquid assets, nevertheless Germany could pay an indemnity, even a high indemnity, provided she is fairly and intelligently treated from the standpoint of production. This treatment, he said, is not being accorded her.

He claimed that Germany was being dismembered, as well as demoralized, and he attributed this policy to France. He believes France is bending every effort to crush Germany irretrievably by encouraging the Southern German states to secede, thus putting Northern Germany in a similar position to Austria, and by endeavoring to impose an impossibly large indemnity.

He also said that he realized that it was the opinion of the world that Germany must pay, but he pointed out that to pay Germany must live. He said that Germany was willing to make fixed annual payments based on established conditions, to increase such payments if, as, and when these conditions improved, and to deliver a great

deal of material for the reconstruction of France.

Herr Boyer, the Prussian Secretary of State, in talking with me about Germany's economic problems referred many times to the probable coal shortage during the winter and spring which might necessitate shutting down factories extensively. He, too, expressed the belief that France was deliberately trying to make it impossible for Germany to recuperate and that whenever Germany showed a little progress toward normal France exacted some new penalty to handicap her further.

I made quite a study of industrial and labor conditions in Germany. In Bavaria I found coal was scarce for both domestic and factory use. We got no milk because a cattle pest had killed most of the cattle left after those owed to France and Belgium had been delivered, and very little sugar. The factories were working only part time. The government does not permit the discharge of employes without its consent and so instead of cutting down their forces they reduce the hours of work.

I was told by a bank director that labor conditions were generally good and that the struggle between capital and labor had been due largely to the rise in prices and the consequent need for higher wages. He said that most employers realized that they must deal with labor on a new basis, but he did not believe that the actual control of industry had passed from capital to labor. It was, however, the general opinion that if the number of unemployed increased materially this winter and that if there was severe suffering from hunger and cold, the demands of labor would increase and the failure to meet them would provoke extreme and perhaps revolutionary efforts.

A high government official told me that there was great danger of social

and political trouble in Germany, but he did not seem to be seriously alarmed over the possibility of a general outbreak of Bolshevism, saying that if the people can have work there will be only small local disturbances, as the Germans are radical in theory but not in practice. Most of my informants, however, stated that conditions were not improving. In April and May conditions were relatively good, but since then the number of unemployed has grown extraordinarily and is increasing.

Dr. Breitscheid, an Independent Socialist member of the Reichstag and editor of *Freiheit*, told me about the recent ultimatum delivered by the Moscow Internationale to German labor, as a result of which the Independent Socialist Party may split. Moscow notified German labor that unless the Third Internationale's decrees were accepted *in toto* the German Independent Socialists would not be admitted to its councils. In addition the demand was made that Kaufsky and some sixty members of the Independent Socialist Party be recalled from the Reichstag and expelled from the party.

Dr. Breitscheid observed that these terms were impossible because conditions in Germany were so different from those in Russia and because the German proletariat was so different from the Russian. He believes that a strictly German program must be developed if the German proletariat is to be unified.

He stated, however, that Russian Bolshevik leaders are trying by all possible means to get control of the German radicals. He also said that this Bolshevik propaganda is being furthered by the German militarists, who believe that revolution would return them to power and keep them there because of the need for their technical military skill in the struggle

with capitalistic nations who would endeavor to crush Bolshevik Germany as they have tried to crush Bolshevik Russia.

This program is enough to give us pause even here in America. That it is not an imaginary program is evidenced by the fact that Dr. Breitscheid believes Germany would lose everything if it went Bolshevik. He is strongly opposed to Bolshevism and has great confidence in the constructive policy of the Independent Socialist through which labor's aims can be obtained without revolution. Let us hope that his confidence is not misplaced.

FRANCE

From Berlin I returned to Paris, where I had already spent several weeks. I wanted to see how France viewed the suspicion of Italy, the terror of Austria, the hopelessness of Germany pending the settling of the indemnity, and the menace of Bolshevism.

I talked with one of the foremost bankers, telling him of what I had found to be Germany's sentiment about the indemnity. He said: "Our feeling is that Germany has never yet showed the slightest good will about paying anything. She has not yet made a single gesture toward honestly paying a centime without the threat of coercion. No one in France wants to kill Germany, Millerand least of all.

"He is a practical man and a business man and he sees that the destruction of Germany would not serve us. The Germans must work. They do not work now and I question if the present German government has any stable power. Simon may be a good man, but up to the present he seems shifting. He never says the same thing twice to us."

I was told by two of the leading political writers of Paris something like

this: "We are looking for security against the Germany that will be in ten or twenty years. We have been insisting on an enforcement of the Peace Treaty. We have the bad part to play. We must insist on our due. We assume till facts prove otherwise that we shall recover it only under pressure on Germany. That is the trouble between the allies. On the British side they believe generosity toward Germany will induce them to carry out the treaty without pressure. It is our parting line. Lloyd George says 'conciliate and the treaty will be carried out.' French opinion is that this is not true. But we see the danger. We realize that we can not live with a corpse next door."

The French Minister of Commerce told me that France's policy was to get the indemnity paid as they needed it in order to rebuild France and that while he recognized the desperate conditions in Austria, for instance, he did not see how France could help very much as she herself was short of coal.

I conferred with other representative men. In general I found:

(1) That France is torn by conflicting emotions,—a desire to secure the indemnity which she needs, and a fear lest in permitting Germany to gain the economic power necessary to pay the indemnity she would create a rival who would later crush her. As a result, she has no definite policy.

(2) That business men recognize the need for settling the indemnity question more clearly than the politicians. Unfortunately they feel that they have no power. In the words of one of them, "the fixing of the indemnity is unfortunately a matter of politics." Our Parliament can not now take a stand on the indemnity. They do not wish to fix the indemnity on political grounds. It is, I realize, impossible for Germany to organize her produc-

tion properly until the indemnity is fixed; but politics forbid this in France, and the whole matter is in the hands of the political powers, not of the business interests of the country.

(3) That France recognizes the dangers in the general European situation arising from the shortage of fuel, food, and raw materials, but being so short of these things herself says nothing can be done without international coöperation.

(4) That France, feeling that she lost more than any other nation in this war, has dedicated herself to making good her own losses as rapidly as possible. To do this, she believes she must consider her own immediate interests paramount.

ENGLAND

On the whole England is more prosperous than any of the European nations. In talking with her leaders one gets the impression of good sportsmen who—now that the fight is over, and in view of the great danger of a continued economic war—are willing to do all they can to get every nation at work again as soon as possible.

But England was also passing through a serious crisis while I was there. The coal strike, which had been voted by the miners, threatened to tie up not only the mines but also all the transportation and factories, and was full of evil possibilities. The diminution of English coal export to the continent might be the final straw in the complicated European situation. The government and labor leaders with whom I spoke realized this.

In summing up it seems to me that the European situation is clearly the following: Conditions are prevailing in all the countries which can only be remedied by international coöperation.

Take for instance my estimate of the French situation: Germany caused

the war. Germany caused enormous damages and losses, especially to France. Therefore, Germany ought to pay the biggest possible indemnity to France. But the biggest practically possible indemnity can only be paid by the biggest production by Germany. But France is afraid that if Germany again is allowed to produce to the fullest possible extent she will gain such economic and military power as to destroy France. Therefore France is afraid to let Germany work enough to pay the biggest indemnity. Yet France needs that indemnity, for besides the immense cost of the war and the huge war losses, she has passed laws by which the nation agrees to pay not only the direct, but all the indirect, losses caused by the war in the devastated districts. Without a large indemnity from Germany she must tax her citizens to pay for these things to such a degree as to be almost unbearable. But she has promised her citizens that she will get the indemnity from Germany, and they therefore believe that while they will have to pay high taxes they will escape the extraordinarily high taxes necessary if a big indemnity is not recovered. If the citizens find out that Germany cannot pay a huge indemnity, and that they must endure these heaviest taxes, they may turn against their government. It is this fear that has made the French politicians resist every effort, at Spa or elsewhere, to fix the amount of the indemnity.

The leading Frenchmen say that if the United States would coöperate in stabilizing conditions in Europe, France might take her chances with Germany's working sufficiently to pay for the losses she has caused, but that there can be no league strong enough or safe enough for them to trust without the United States doing its share. They say that if the United States had not

used its influence in the making of the peace, safety for France and the other nations as against Germany would have been provided in the peace terms, and that therefore it seems to them that when the people of the United States understand the dangerous European conditions, and to how great a degree they have been brought about by the participation of the United States in the making of the peace terms, they will feel it is their duty to do all they can to avert the disasters that threaten Europe and the world.

The situation in other nations is no less dangerous. There is so much friction in the nations newly created by the peace terms that nothing short of

general international coöperation can avert future wars which, even though only economic wars, will be very dangerous because they will reduce production and cause further want and suffering that may lead to revolution. The international coöperation that is needed can only be effective, as events since the peace treaty have shown, if the United States takes her share in the work. It is not a party question—it is a question of American citizens of all parties understanding how dangerous European conditions are. When we do understand we will do our duty and take our share of the responsibility. This in my judgment is the way out, and the only way out.